

Message Text

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ORIGIN EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 ISO-00 GSA-02 INT-08

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FM SECSTATE WASHDC

TO AMEMBASSY KUALA LUMPUR PRIORITY

AMEMBASSY LA PAZ

AMEMBASSY JAKARTA

AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY LAGOS

AMEMBASSY KINSHASA

AMEMBASSY LONDON

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E.O. 1152

TAGS: EMIN

SUBJECT: TIN DISPOSALS; CONSULTATIONS WITH PRODUCERS

1. DEPARTMENT INTENDS BEGIN CONSULTATIONS WITH TIN
PRODUCING COUNTRIES WEEK OF NOVEMBER 19 ON LONG-TERM PRO-
GRAM FOR COMMERCIAL SALES OF STOCKPILE TIN. PROGRAM WILL
CONTINUE ALONG SAME LINES AS PRESENT INTERIM PROGRAM WHICH
BEGAN ON SEPTEMBER 10, WITH ADDITION OF NEW FEATURE WHICH
WILL BE "LONG TERM" CONTRACTS FOR REGULAR DELIVERIES OF
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TIN FOR PERIOD UP TO ONE YEAR.

2. ESSENTIAL FEATURES OF LONG-TERM DISPOSAL PROGRAM ARE FOLLOWING: (A) GSA WILL CONTINUE DAILY SALES WHICH, DEPENDING ON MARKET CONDITIONS, MAY EXCEED (AT TIMES SUBSTANTIALLY EXCEED) MINIMUM RATE OF 100 TONS WEEKLY ESTABLISHED UNDER INTERIM PROGRAM; (B) GSA WILL OFFER CONTRACTS FOR REGULAR DELIVERIES OF TIN FOR PERIOD OF UP TO ONE YEAR; (C) GSA PRICES WILL FOLLOW BEHIND MARKET MOVEMENT, EITHER UPWARD OR DOWNWARD. ON THIS BASIS, GIVEN THE CURRENT MARKET SITUATION AND OUTLOOK AND BARRING PRECIPITOUS DECLINE IN MARKET PRICES, GSA HAS EXPECTATION OF ACHIEVING DISPOSAL RATE OF ABOUT 10 PERCENT OF WORLD CONSUMPTION OF WHICH UP TO ABOUT TWO-THIRDS MAY BE UNDER LONG-TERM CONTRACTS.

3. DEPT HELD DISCUSSIONS WITH DELEGATION FROM ITC THIRD WEEK OF OCTOBER AND OUTLINED, IN GENERAL FORM, ABOVE TIN DISPOSAL PROGRAM. ITC DELEGATION COULD NOT AGREE WITH ALL FEATURES OF PROGRAM, BUT IT WAS NOT COMPLETELY SURPRISED BY MAGNITUDE OF DISPOSALS. DELEGATION AGREED WITH US REPS THAT IDEA OF LONG-TERM CONTRACTS WAS GOOD PLAN AND WOULD HAVE LESS DIRECT EFFECT ON MARKET PRICES THAN WOULD DAILY SALES. DELEGATION ALSO ADMITTED THAT GSA HAD ACTED RESPONSIBLY WITH PREVIOUS SALES.

4. POSTS ARE REQUESTED NOT TO INITIATE DISCUSSIONS ON NEW TIN DISPOSAL PROGRAM BUT MAY DRAW ON FOLLOWING RATIONALE FOR LONG-TERM PROGRAM IF QUERIED:

(A) INTERIM PROGRAM HAS WORKED EXCEEDINGLY WELL OVER PAST TWO MONTHS AND PRICES HAVE NOT BEEN ADVERSELY AFFECTED BY GSA SALES. GSA PERFORMANCE RECORD THUS FAR HAS BEEN EXEMPLARY.

(B) TIN PRICES HAVE REACHED RECORD LEVELS IN NEW YORK, LONDON AND PENANG DURING RECENT PERIOD OF GSA SALES. WHEN GSA BEGAN PROGRAM ON SEPTEMBER 10, NEW YORK PRICE WAS 240 US CENTS PER POUND; LONDON LME SETTLEMENT PRICE WAS 2,048 POUNDS STERLING PER METRIC TON; AND PENANG PRICE WAS 683 MALAYSIAN DOLLARS PER PICUL. ON NOVEMBER 16,

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TIN PRICES WERE 257 US CENTS, 2,315 POUNDS STERLING AND 780 MALAYSIAN DOLLARS. THUS, PRICE IN PENANG IS ABOVE "MUST SELL" CEILING OF ITC BUFFER STOCK RANGE, I.E., 760 MALAYSIAN DOLLARS.

(C) LATEST ITC ESTIMATES SHOW SHORTFALL OF PRODUCTION (ON METAL TO METAL BASIS) OF APPROXIMATELY 20,000 TONS FOR 1973. IF USSR OFFTAKE AND PRC INPUT OF TIN INTO WORLD

MARKETS INCLUDED,ITC ESTIMATES SHOW SHORTFALL OF PRODUCTION OF ABOUT 16,000 TONS.

(D) CONTINUED RECORD PRICE LEVELS AND SHORTFALLS IN PRODUCTION COULD HASTEN SUBSTITUTION OF OTHER PACKAGING MATERIALS FOR TIN. THUS FAR IN 1973, CONSUMPTION OF TIN IN TINPLATE MANUFACTURE IN US IS DOWN FROM 1972 LEVELS ALTHOUGH TOTAL US TIN CONSUMPTION HAS INCREASED. SINCE TINPLATE IS MAJOR WORLD CONSUMER OF TIN, SUBSTITUTION OF OTHER PACKAGING MATERIALS WOULD HAVE LONG-TERM DETRIMENTAL EFFECTS FOR TIN PRODUCERS.

(E) GSA PROGRAM WILL CONTINUE TO BE CONDUCTED IN AN ORDERLY MANNER SO AS TO MINIMIZE EFFECTS ON WORLD TIN MARKETS AND TO AVOID IMPAIRING HEALTH AND GROWTH OF WORLD'S TIN INDUSTRY.

4. FOR LONDON. PLEASE INFORM ALLEN, OF ITC, CONTENTS OF PARA (2) ABOVE. KISSINGER

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